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Paul Questions Federal Reserve Chairman *Challenges Fed Predictions; Calls for Free-Market Interest Rates*

Washington D.C.- Congressman Ron Paul today questioned Federal Reserve Board Chairman Alan Greenspan during a hearing before the House Financial Services committee, challenging the Chairman's assertion that the long-term strength of our economy remains intact. "You have pointed out imbalances in our economy, Paul stated." "These imbalances are caused by the inflation of the money supply which results from Fed-lowered interest rates. You have conceded that you have no way to determine what interest rates should be. The Fed system is unmanageable, because only the free market can determine interest rates and only the free market can determine the proper money supply." "The Chairman's predictions may be rosy, but the prosperity of the past decade was largely created by the Fed's artificially low interest rates," Paul stated later. "Every time the economy slows, the Fed succumbs to pressure to lower rates. This simply reduces the cost of borrowing money, which makes businesses and individuals spend more than they would if market interest rates prevailed. However, the resulting economic expansion cannot be sustained forever; cheap borrowing is no substitute for real increases in productivity. Eventually the bubble bursts when debt-ridden businesses cannot continue to pay their bills. We've already seen this in hundreds of tech companies. The same is true for individuals, who are filing for bankruptcy in record numbers." Paul is known as the leading advocate on the committee for sound monetary policies based on free-market interest rates and commodity-backed currency. He has been an outspoken critic of the Fed and its inflationary policies: "When the Fed creates credit out of thin air or prints more money, it robs the American people by making their money worth less. Fed policies create a hidden tax we all pay in the form of devalued dollars and higher prices." "The Fed can print money and create credit to bolster the economy in the short run, but it cannot suspend the laws of supply and demand," Paul concluded. "Real prosperity is created by hard work and increased productivity, not credit expansion. The market correction we are witnessing demonstrates that Fed management of our money and credit supply does not work in the long run. It's time to apply free market principles to monetary policy."